



ARIZONA DEPARTMENT OF ECONOMIC SECURITY
UNEMPLOYMENT INSURANCE EMPLOYER NEWSLETTER – APRIL 2002

PREPARING FOR AN AUDIT

To ensure accurate reporting and payment of the proper tax, the unemployment tax section administers a statewide audit program, selecting at random employers for audit during each calendar year. Audits or investigations are also performed as needed to resolve specific issues such as employment questions relating to benefits applicants or public complaints of employer non-compliance.

The following is a brief outline of the procedures applicable to most audit situations.

Scheduling: Initial audit notification is usually by letter. A pre-audit discussion is held with the employer or designated representative at the audit site or by telephone in advance of the appointment date to address any questions or concerns about the audit and to enable the auditor to become familiar with the type of business under audit.

Audit Time: Employers should plan for approximately three to four hours for an audit.

Audit Scope: Routine audits require initial examination of records for a one-year period, usually the most recently completed calendar year. Discrepancies within this one-year period may require further review up to an additional two years.

Records for the audit may be provided in whatever accounting format is normally used by the business, either manual or automated. Such records, however, must reflect clearly the transaction dates, amounts, payees and purpose of the disbursements.

Records Required: At minimum, employers must provide the following:

- Cash Disbursements: records of all amounts paid out by the business.
- Forms 1099, Non-employee Compensation, and Transmittal Form 1096.
- Payroll Data: Records of wages paid to each employee.
- W-2 Forms and W-3 Transmittal.
- Copies of payroll tax reports filed with state and federal agencies.
- Income tax returns.

Note--The unemployment tax section does not audit business income tax returns. It uses income tax returns to verify the business entity, ownership, and to clarify compensation or loans to business principles.

Source Documents: Employers must also make available at least one calendar quarter of initial source documents, such as check stubs with cancelled checks, cash vouchers, or receipts of cash amounts paid by the business. These records are required to verify the accuracy of amounts posted to payroll system summaries.

Audit Closeout: After the audit work is completed, the auditor will arrange for a close out discussion of the findings with the employer or representative. An Audit Transmittal Report detailing the audit results is mailed to the employer after the review is concluded.

Questions: Any questions about audit practices should be directed to the audit manager at (602) 248-9354, ext. 1503.

NEW HIRE REPORTING

One of the goals of Arizona's New Hire Reporting Program is to make new hire reporting as easy as possible for employers. *Arizona Revised Statute 23-722-01 and Section 313 of the Personal Responsibility and Work Opportunity Act of 1996, 42 U.S.C. 653A*, require all employers to report each new and rehired employee to the State Directory of New Hires.

The Arizona New Hire Reporting Center recently upgraded the new hire reporting Web site, www.az-newhire.com. The new Web site provides employers with information on many convenient reporting options, including reporting new hires online. This feature provides a printable confirmation of new hires submitted. In addition, this new site offers secure file transmission, an improved "Frequently Asked Questions" section, and the ability to report for more than one FEIN with a single logon.

Visit the new and improved Web site to learn more about new hire reporting and the convenient reporting options available or call the Arizona New Hire Reporting Center at 602-340-0555 or toll free at 888-282-2064.

Thank you for helping us support Arizona's children.

REPORTING CHANGES TO YOUR ACCOUNT

It is extremely important that the Department have the most current address and business status information on your tax account.

Should you need to change your business legal mailing address, headquarters' address and/or the address where the benefit Notice to Employer (Form UB-110) is to be mailed, you should use an Authorization to Change Address (Form UC-517).

The Report of Changes (Form CHNG) is used to advise the Department of any modifications to your business structure. You must promptly report any changes in ownership, legal form, operation, payroll method or address of your business. If you fail to do so, it could result in additional costs to you later.

Both of these forms are available via our phone FAX line or from our website. To order forms by FAX, call (602) 248-9354 and follow the directions to obtain the items you wish. These and other forms may be filled in, downloaded and printed from our website at www.de.state.az.us/links/esa/taxform.html.